FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
Years ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Clay County Communications, LLC Spencer, Iowa

Report on the Financial Statements

We have audited the accompanying balance sheets of Clay County Communications, LLC (an Iowa limited liability company) as of December 31, 2015 and 2014, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment; including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clay County Communications, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kiesling associates LLP West Des Moines, Iowa

March 7, 2016

BALANCE SHEETS December 31, 2015 and 2014

| | | 2015 | | 2014 |
|--|-----|---|-----|---|
| ASSETS | | | | |
| CURRENT ASSETS Cash and cash equivalents Accounts receivable: Due from customers Members Other Inventory Prepayments | \$ | 212,656 104,254 32,975 25,774 14,253 389,912 | \$ | 118,256 244,189 16,941 26,720 29,919 436,025 |
| OTHER NONCURRENT ASSETS Prepayments | _ | 1,924 | _ | 7,429 |
| PROPERTY, PLANT AND EQUIPMENT PCS plant in service Less accumulated depreciation | = | 1,454,412 732,071 722,341 | = | 1,434,050 621,394 812,656 |
| TOTAL ASSETS | \$_ | 1,114,177 | \$_ | 1,256,110 |

BALANCE SHEETS December 31, 2015 and 2014

| | 2015 | 2014 |
|--|--|------------------------------------|
| LIABILITIES AND MEMBERS' EQUITY | | |
| CURRENT LIABILITIES Accounts payable: Members Other Advance billing and payments Customer deposits Accrued taxes | \$ 8,973 48,146 33,794 3,500 4,038 98,451 | 58,364 40,124 3,640 4,278 |
| OTHER NONCURRENT LIABILITIES Asset retirement obligations MEMBERS' EQUITY | 24,676 | |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$ <u>1,114,177</u> | 7 \$ <u>1,256,110</u> |

STATEMENTS OF INCOME Years ended December 31, 2015 and 2014

| | | 2015 | | 2014 |
|-----------------------------------|-----|----------|-----|-----------|
| OPERATING REVENUES | | | - | |
| Access services | \$ | 669,769 | \$ | 754,773 |
| Phone and accessory sales | | 80,558 | | 198,559 |
| Roamer services | | 83,784 | | 75,881 |
| Universal service revenue | | 109,572 | | 109,389 |
| Miscellaneous revenue | | 215 | | 4,624 |
| Uncollectibles | | (4,128) | | (3,114) |
| | 2 | 939,770 | 12 | 1,140,112 |
| OPERATING EXPENSES | | | | |
| Cost of wireless services | | 407,279 | | 391,977 |
| Cost of phone and accessory sales | | 89,664 | | 199,881 |
| Network operations | | 150,442 | | 157,679 |
| Depreciation and accretion | | 111,268 | | 99,444 |
| Customer operations | | 105,950 | | 162,326 |
| Corporate operations | | 37,559 | | 37,120 |
| General taxes | | 3,918 | | 3,880 |
| | | 906,080 | _ | 1,052,307 |
| OPERATING INCOME | _ | 33,690 | _ | 87,805 |
| OTHER INCOME | | | | |
| Interest income | | 926 | | 1,566 |
| Other | _ | <u> </u> | _ | (199) |
| | - | 926 | - | 1,367 |
| NET INCOME | \$_ | 34,616 | \$_ | 89,172 |

STATEMENTS OF CHANGES IN MEMBERS' EQUITY Years ended December 31, 2015 and 2014

| | Spencer Municipal Evertek, Inc. Utilities | | | Total | | |
|----------------------------|---|--------------|-----|-----------|-----|-----------|
| | | CITCK, IIIC. | - | Othitics | - | Total |
| Ownership Percentage | | 50 % | _ | 50 % | 0. | 100 % |
| Balance, December 31, 2013 | \$ | 658,631 | \$ | 658,631 | \$ | 1,317,262 |
| Net income | | 44,586 | | 44,586 | | 89,172 |
| Distributions | - | (150,000) | _ | (150,000) | | (300,000) |
| Balance, December 31, 2014 | | 553,217 | | 553,217 | | 1,106,434 |
| Net income | | 17,308 | | 17,308 | | 34,616 |
| Distributions | : | (75,000) | _ | (75,000) | _ | (150,000) |
| Balance, December 31, 2015 | \$ | 495,525 | \$_ | 495,525 | \$_ | 991,050 |

STATEMENTS OF CASH FLOWS Years ended December 31, 2015 and 2014

| | | 2015 | _ | 2014 |
|--|-----|------------|-----|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | \$ | 34,616 | \$ | 89,172 |
| Adjustments to reconcile net income | Ψ | 3 1,010 | Ψ | 07,172 |
| to net cash provided by operating activities: | | | | |
| Depreciation and accretion | | 111,268 | | 99,444 |
| Changes in assets and liabilities: | | , | | , |
| (Increase) Decrease in: | | | | |
| Accounts receivable | | 98,127 | | (76,978) |
| Inventory | | 26,720 | | (5,377) |
| Prepayments | | 21,171 | | 25,610 |
| Increase (Decrease) in: | | | | |
| Accounts payable | | (20,430) | | (1,007) |
| Accrued taxes | | (240) | | (791) |
| Other | | (6,470) | 1 | (7,058) |
| Net cash provided by operating activities | | 264,762 | _ | 123,015 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Capital expenditures | | (20,362) | | (32,924) |
| Net cash used in investing activities | _ | (20,362) | - | (32,924) |
| The cash asea in investing activities | - | (= -,= -=) | 7 | (-)- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Distributions | | (150,000) | | (300,000) |
| Net cash used in financing activities | _ | (150,000) | - | (300,000) |
| Net easil used in imaneing activities | _ | (150,000) | | (500,000) |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 94,400 | | (209,909) |
| Cash and Cash Equivalents at Beginning of Year | _ | 118,256 | _ | 328,165 |
| Cash and Cash Equivalents at End of Year | \$_ | 212,656 | \$_ | 118,256 |

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 1. ORGANIZATION

Clay County Communications, LLC (an Iowa limited liability company, herein referred to as "the Company") was formed in 2006 to provide wireless telecommunications utilizing Personal Communications Services (PCS) spectrum in a service area located primarily in Clay County, Iowa. This service is provided by leasing licensed PCS spectrum from Evertek, Inc. Each member provides these services under their own name to the customer in their markets. Evertek, Inc. and Spencer Municipal Utilities (Communications Utility only) participate in this partnership, each with 50% interest under an agreement filed in accordance with Iowa Code Chapter 28E. The members are entitled to equally share all profits and will equally be responsible for all losses of Clay County Communications, LLC. This agreement shall terminate on May 1, 2016, but may be extended by mutual agreement for an additional five years.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through March 7, 2016, the date the financial statements were available for issue.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Receivables are reported at the amounts the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

Inventory

Inventory is stated at the lower of cost or market with cost determined by the average cost method. Inventory consists of wireless mobile telephone equipment that is purchased by the Company primarily for sale to customers.

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes and employee benefits.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Renewals and betterments of units of property are charged to plant in service. When plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are included in plant specific operations expense.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

Under provisions of the Internal Revenue Code, the members include their respective shares of Partnership income or loss on their individual tax returns. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Company's federal and state tax returns for years 2012 to present remain subject to examination.

The Company has evaluated its tax positions and determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2015.

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company earns wireless service revenues by providing access to its wireless network (access revenue) and for usage of its wireless system (airtime revenue). Access revenue from postpaid customers is billed either in advance or arrears and recognized ratably over the service period. Airtime revenue, including roaming revenue and long distance revenue, is billed in arrears based on minutes of use and is recognized when the service is rendered. Prepaid airtime sold to customers and revenue collected from pay-in-advance customers is recorded as deferred revenue prior to the commencement of services, and revenue is recognized when airtime is used or expires. Access and airtime services provided are billed throughout the month according to the bill cycle in which a particular subscriber is placed.

The Company offers enhanced services including caller ID, call waiting, call forwarding, three-way calling, no answer/busy transfer, text messaging and voice mail. Generally, these enhanced features generate additional service revenues through monthly subscription fees or increased wireless usage through utilization of the features. Other optional services may also be provided for a monthly fee. These enhanced features and optional services may be bundled with package rate plans or sold separately. Revenues for enhanced services and optional features are recognized as earned.

Revenues also include amounts received from the Federal Universal Service Fund as a result of the Company's designation as an Eligible Telecommunications Carrier (ETC).

Equipment sales consist principally of revenues from the sale of wireless handsets and accessories to new and existing customers and to agents and other third-party distributors. The revenue and related expenses associated with the sale of wireless handsets and accessories through our indirect sales channels are recognized when the products are delivered and accepted by the agent or third-party distributor and probability of collection is likely. Shipping and handling costs for wireless handsets sold to agents and other third-party distributors are classified as costs of sales and services.

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform with the 2015 presentation.

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

| | _ | 2015 | - | 2014 |
|-------------------------------------|----|-----------|----|-----------|
| PCS plant in service: | | | | |
| Furniture and fixtures | \$ | 20,788 | \$ | 20,788 |
| Communications equipment | | 4,224 | | 4,224 |
| Buildings | | 47,694 | | 47,694 |
| Wireless equipment | | 825,649 | | 805,287 |
| Towers | | 556,057 | - | 556,057 |
| Total property, plant and equipment | \$ | 1,454,412 | \$ | 1,434,050 |

Depreciation on depreciable property resulted in composite rates of 7.66% and 7.27% for 2015 and 2014, respectively.

Depreciation expense was \$111,268 and \$98,869 for the years ending December 31, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 4. ASSET RETIREMENT OBLIGATIONS

The Company has determined that asset retirement obligations exist as there is a legal obligation to remove wireless cellular equipment at the time the Company discontinues its use. The Company's cost to remove these assets is accrued over the life of the assets. These costs, measured at fair value, are valued at Level 3 in the fair value hierarchy. Under the Level 3 valuation, the Company estimated the cost of removal of the equipment and towers using current expected labor and overhead cost including a contractor's mark up for similar removal projects. These costs were adjusted for average inflation at 2.4% to arrive at the expected cash flows for removal. The changes in the carrying value of the Company's asset retirement obligations for the years ended December 31, 2015 and 2014, are as follows:

| | 2015 | | 2014 | |
|------------------------------------|------|--------|------|--------|
| Beginning balance as of January 1, | \$ | 24,085 | \$ | 23,510 |
| Accretion expense | | 591 | | 575 |
| Balance as of December 31, | \$ | 24,676 | \$ | 24,085 |

NOTE 5. SPECTRUM LEASE

The Company leases licensed PCS spectrum from Evertek, Inc. The Company paid \$50,000 to lease this spectrum from August 2006 through June 2015. During 2012, the Company entered into a new lease agreement with Evertek, Inc. for AWS spectrum. The Company paid \$65,416 to lease this spectrum from November 2012 through May 2016. The Company amortizes this to expense monthly as the lease expires. The total amount expensed for leasing this spectrum was \$24,415 in the years ended December 31, 2015 and 2014.

Estimated lease expense for the next year is:

| Year Ending | | |
|--------------|----|-------|
| December 31, | A | mount |
| 2016 | \$ | 6,380 |

NOTE 6. CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 7. REGULATORY MATTERS

The Company received 12% of its 2015 revenues from access revenues and assistance provided by the Federal Universal Service Fund (USF). As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for the establishment of a Mobility Fund to replace current USF mechanisms with a cap on the total fund. Wireless carrier USF support payments are being phased out over a five-year period beginning July 1, 2012. During 2014, the Mobility Fund did not become operational. This resulted in the phase-down being suspended and support funds continuing at current levels until further notice.

The order calls for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.

NOTE 8. RELATED PARTY TRANSACTIONS

During the course of normal operations, the Company had transacted business with its members. These transactions include equipment and management services purchased from Evertek, Inc. and Spencer Municipal Utilities as well as spectrum leased from Evertek, Inc. A summary of the related party activity is as follows:

| | - | 2015 | - | 2014 |
|--|-----|---------|-----|---------|
| Equipment and Management Services Purchased: | | | | |
| Evertek, Inc. | \$ | 120,670 | \$ | 136,143 |
| Spencer Municipal Utilities | - | 107,250 | | 177,682 |
| | \$_ | 227,920 | \$_ | 313,825 |

The Company had the following amounts included in accounts receivable for equipment and services purchased:

| | | 2015 | | |
|-----------------------------|------|--------|-----|---------|
| | _ | | | |
| Evertek, Inc. | \$ | 32,975 | \$ | 73,772 |
| Spencer Municipal Utilities | 1/== | - | - | 170,417 |
| | \$_ | 32,975 | \$_ | 244,189 |

NOTES TO FINANCIAL STATEMENTS December 31, 2015 and 2014

NOTE 8. RELATED PARTY TRANSACTIONS (Continued)

The Company had the following amounts included in accounts payable for equipment and services purchased:

| | - | 2015 | - | 2014 |
|-----------------------------|----|-------|----|--------|
| Evertek, Inc. | \$ | 4,245 | \$ | 9,227 |
| Spencer Municipal Utilities | | 4,728 | _ | 9,958 |
| | \$ | 8,973 | \$ | 19,185 |

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Company has entered into a purchase commitment for certain phone inventory over a period of three years. The Company is required to purchase a minimum of 596 phones scheduled to be 180 in year one, 198 in year two and 218 in year three. The Company has purchased 172 of the phones by December 31, 2015. The unit cost of the various models of phone ranges from \$550 to \$950 per phone.

NOTE 10. PARTICIPATION AGREEMENT

The Company entered into an agreement with Iowa Wireless Services, L.P. (IWS) to provide personal communications services (PCS) switching, billing, marketing and other operational support services. All wireless traffic is routed through the IWS network.